GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:2654
ANSWERED ON:13.03.2000
SETTING UP OF GAS BASED POWER PROJECT IN MANAGALORE
R.L. JALAPPA

Will the Minister of POWER be pleased to state:

(a) whether the Union Government has asked Karnataka Government to revise the Power Purchase Agreement with Cogentrix;

(b) if so, the details thereof;

(c) whether Karnataka Government has put forth the proposal to set up a gas based 2000 MW Power Project in Mangalore to supply power to southern states;

(d) if so, the estimated cost thereof; and

(e) the share of southern states and National Thermal Power Corporation therein?

Answer

THE MINISTER OF POWER

(SHRI P.R. KUMARAMANGALAM)

(a) : While conveying the decision to issue Government of India (GOI) counter-guarantee to the 1012.3 MW Mangalore Power Project of M/s Mangalore Power Company in which M/s Cogentrix Energy Inc., were one of the main promoters, the Government of Karnataka have been informed that the Power Purchase Agreement (PPA) for this project would have to be amended, wherever necessary, to conform to the conditions attached with the GOI counter-guarantee.

(b) : As per the conditions for issue of counter-guarantee, certain provisions of the PPA might have to be amended as mentioned below:-
i. The provisions relating to fuel price to be finalised after the State Government ensures that competitive bidding procedures are adopted in the finalised fuel supply agreement.
ii. The PPA would have to adopt the following measures:

(a) Not allowing income tax on incentives to be passed through in tariffs.
(b) To ensure that the reimbursement of fuel expenses does not become a source of profit, for the purpose of calculating the tariffs, the heat rate, auxiliary consumption and secondary fuel oil consumption would be determined on the basis of actuals or norms, whichever is lower.

(iii) PPA would have to conform to the decisions taken by GOI on the Income Tax Liability on Foreign Exchange Variations on Debt Repayment, Reserve Requirements and Tax Holiday.

(iv) In case the Karnataka Electricity Regulatory Commission (KERC) becomes functional before finalisation of the PPA, the PPA would be subject to orders of the KERC.

(v) Consequential changes, if any, as a result of any review of the contract for Engineering, Procurement and Construction.

(c) to (e) : In the Memorandum of Agreement between the Ministry of Power and the Government of Karnataka for supporting their reform programme a request has been made for NTPC to set up an LNG based 2000 MW generating station in Karnataka. Government of India will consider the feasibility of doing so.